

Worksession

Agenda Item #	6
Meeting Date	23 February 2004
Prepared By	Linda Walker Housing Manager
Approved By	Richard M. Finn City Manager

Discussion Item	Construction Management Contract - Capital Improvements Petition Process
Background	<p>Under the current Rent Stabilization Law, landlords making improvements to their rental properties may file a capital improvement petition which, if approved by COLTA, allows the landlord to recapture the cost of the improvements and distribute the cost to those rental units affected by the improvement. Until recently, COLTA depended on tenants to report whether an improvement included in the petition had been completed with the work done in a professional manner. This process placed the tenant in a sometimes adversarial role with the landlord. Additionally, improvements were often completed when the unit was vacant and there was no means of verifying what work had been done. Inspections conducted by city inspectors in response to concerns filed by the tenant were frequently interpreted as inadequate by the tenant or the landlord. The process was often unwieldy, taking an excessive amount of time to verify the costs and the work that had been done.</p> <p>To address this issue, HCD staff investigated the feasibility of working with a construction management firm, on a trial basis, to verify the validity of the rent increase petitions submitted by landlords. As proposed, the units were to be inspected by an independent firm once the petition was received by COLTA, with the firm verifying that the work included in the petition had been completed in a satisfactory manner and the costs were reasonable. The inspection was to take place, regardless of any action taken by the tenant.</p> <p>Bids were solicited from three firms with two submitting proposals for consideration. Following a review of the proposals and interviews of the two firms, K & S Construction was selected and a contract for professional services in an amount not to exceed \$5,000 was executed by the City Manager in accordance with the City's procurement policy. A total of 26 inspections have taken place since the execution of the contract in October 2003.</p> <p>The services of the firm have greatly improved the petition process. K&S's analysis of the construction work included in the petitions submitted to COLTA over the past five months has been well received by both landlords and tenants. The rents analyst who performs the analytical study of the costs associated with each capital improvement project has been able to rely on the construction inspector's report in determining completion and costs of the capital improvement. Petitions are being processed in a more timely manner.</p> <p>Because the number of capital improvement petitions has continued to increase, the initial amount set aside for this purpose, has been expended. If we are to continue</p>

	to use the firm as a means of facilitating the capital improvement process, it is necessary to amend the existing contract to allow for the expenditure of additional funds.
Policy	<p>Under the current Rent Stabilization Law, the Rent Increase Petition process is available to landlords to promote improvements to rental properties. It allows for the recovery of the costs over an amortized period of time.</p> <p>Expert, unbiased construction inspections have been instrumental in ascertaining the reasonableness of the costs and whether the project was completed satisfactorily.</p>
Fiscal Impact	<p>Estimated annual cost of \$12,500 (average of \$250 per capital improvement petition)</p> <p>Cost would vary depending upon the number of capital improvement petitions submitted and the size of said petitions. Past experience indicates that an average of 2.5 to 3 hours per petition - at a cost of \$75 per hour - is needed to conduct the required inspection, verify the cost of the improvements, and prepare the final report.</p> <p>Please note that K&S Construction was the low bid received by HCD in its initial investigation. The other firm submitted a proposal for \$120 per hour.</p>
Attachments	Copy of Contract with K& S Construction
Recommendation	<p>To approve execution of an ongoing contract with K&S Construction for professional services related to the capital improvement petition process.</p> <p>An unbudgeted cost, the execution of the proposed contract would require a two reading ordinance (tentatively scheduled for March 8 and March 22).</p>
Special Consideration	